Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements. School year 2017-18 was the second year of operations for Global Prepatory Academy. Global Prepatory Academy is an Innovation Network School meaning that it operates in a building owned by Indianapolis Public Schools.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?		
Indicator Targets	Does not meet standard	The school does not meet standard for 2 or more of the following sub-indicators: Enrollment Variance, Current Ratio, Days Cash on Hand and Debt Default
	Approaching standard	The school approaches standard for all of the following sub-indicators: Enrollment Variance, Current Ratio, Days Cash on Hand and Debt Default OR The school meets standard for 3 of the sub-indicators and does not meet standard on the remaining sub-indciator OR the school approaches standard for two of the sub-indicators and meets standard for the remaining two sub-indicators.
	Meets standard	The school meets standard for 3 sub-indicators shown below, while approaching standard on the final sub-indicator.
	Exceeds standard	The school meets standard for all 4 sub-indicators.

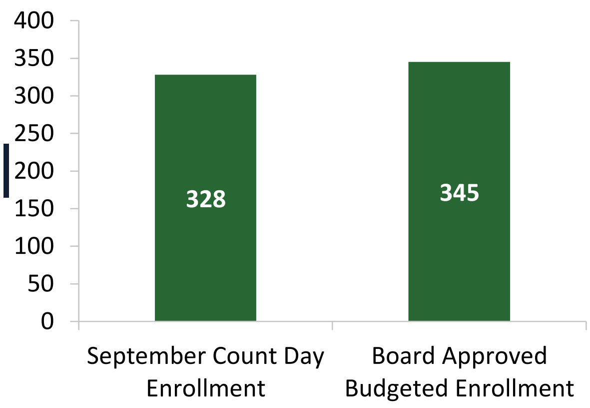
School Rating	**Year 1**	**Year 2**	**Year 3**	**Year4**	**Year 5**	**Year 6**	**Year 7**
	2016-17	**2017-18**	2018-19	2019-20	2020-21	2021-22	2022-23
	ES	**ES**					

Sub-indicator Ratings	Sub-		Sub-indicator targets	Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%	95%	MS
		AS	Enrollment ratio is between 90 – 95%		
		MS	Enrollment ratio equals or exceeds 95%		
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0	3.99	MS
		AS	Current ratio is between 1.0 – 1.1		
		MS	Current ratio equals or exceeds 1.1		
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30	67	MS
		AS	Days cash on hand is between 30-45		
		MS	Days cash on hand equals or exceeds 45		
	Debt Default	DNMS	Default or delinquent payments identified	Meets	MS
		MS	Not in default or delinquent		

Global Preparatory Academy (GPA) received a rating of **Exceeds Standard** for Core Question 2.1 because it **met standard** on all 4 sub-indicators.

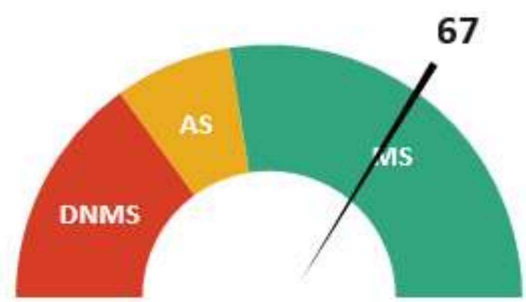
At the September 2017 Count Day, the Indiana Department of Education (IDOE) indicated that school had 328 students enrolled. This is 95% of the 345 students that the school budgeted for in fiscal year 2018. As a result, the school **met standard** for the September Enrollment Variance ratio.

Enrollment Variance Ratio



With regard to its current ratio, the school **met standard** meaning that it had current assets (cash or other assets that can be accessed in the next 12 months) that did exceed its current liabilities (debt obligations due in the next 12 months) by 10% or more.

Additionally, the school ended the year with 67 days cash on hand and **met standard** for this ratio. Days cash on hand is an important measure of a charter school's fiscal health because it indicates how many more days after June 30, 2018, the school would have been able to operate at its same spending levels without receiving additional financial resources from IDOE.



Lastly, the school **met standard** for debt default. This metric is determined by both the auditors' comments in the audited financial statements and contact with the school's creditors. In the case of GPA, neither its auditors nor its creditors provided any indication that the school had defaulted on its debt obligations.

Based on the summary of these sub-indicator ratings, GPA received a rating of **Exceeds Standard** for Core Question 2.1.

2.2. Long-term Health: Does the organization demonstrate long-term financial health?		
Indicator Targets	Does not meet standard	The school does not meet standard on any of the 3 sub-indicators **OR** meets standard on 1 sub-indicator but does not meet standard on the remaining 2.
	Approaching standard	The school meets standard on 2 of the sub-indicators while not meeting on the third, **OR** approaches standard on all 3 sub-indicators.
	Meets standard	The school meets standard on 2 of the sub-indicators and approaches standard on the third.
	Exceeds standard	The school meets standard for all 3 sub-indicators.

School Rating	Year 1	Year 2	Year 3	Year4	Year 5	Year 6	Year 7
	2016-17	**2017-18**	2018-19	2019-20	2020-21	2021-22	2022-23
	ES	**ES**					

Sub-indicator Ratings	Sub-	Sub-indicator targets		Result	Rating
	Aggregate Three-Year Net Income	DNMS	Aggregate 3-year net income is negative.	N/A (aggregate) $102,957 (current)	MS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.		
		MS	Aggregate three year net income is positive, and most recent year is positive.		
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95	0.49	MS
		AS	Debt to Asset ratio is between .9 - .95		
		MS	Debt to Asset ratio is less than or equal to .9		
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05	2.12	MS
		AS	DSC ratio is between 1.05-1.2		
		MS	DSC ratio equals or exceeds 1.2		

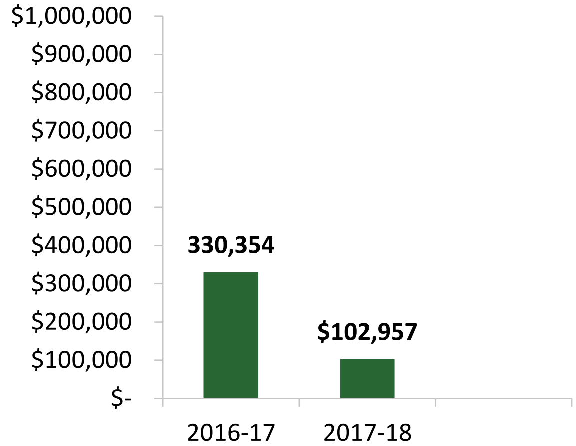
The school received a rating of **Exceeds Standard** for Core Question 2.2. The school **met standard** for the net income sub-indicator. It had a current year net income of $102.957. Since 2017-18 was the second year of operation for GPA, it is not possible to calculate the three year aggregate net income.

The school **met standard** for the debt to asset ratio sub-indicator. The school had a ratio of 0.49 meaning that it had debt that was equivalent to 49% of its assets for the 2017-18 fiscal year.

Lastly, the school **met standard** for its debt service coverage (DSC) ratio. This means that the school generated adequate net income to fulfill its debt obligations due through June 30, 2019.

Given that GPA received a rating of **meets standard** for each of the sub-indicators that were evaluated, it receives a rating of **Exceeds Standard** for Core Question 2.2.

Three-Year Net Income



2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard	The school does not meet standard on 1 of the sub-indicators.					
	Approaching standard	The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.					
	Meets standard	The school meets standard on both sub-indicators.					
School Rating	**Year 1**	**Year 2**	**Year 3**	**Year4**	**Year 5**	**Year 6**	**Year 7**
	2016-17	**2017-18**	2018-19	2019-20	2020-21	2021-22	2022-23
	MS	DNMS					
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets					Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, material weakness, or has an ongoing concern.				DNMS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.				MS
		MS	The school satisfies all financial reporting requirements.				

The school **did not meet standard** for its accrual based audit because its auditors, the Donovan CPAs, indicated a material weakness within the school's internal financial controls. Specifically, GPA's cost-reimbursements were understated by appromately $630,000 and $261,000 during the years ended June 30,2018 and 2017. This material weakness in internal control resulted in approximately $630,000 of revenues recorded in the wrong period. In response to this finding, the school hired an outside bookkeeping firm experienced in accrual-basis reporting specific to charter schools. The school, the outside bookkeeper, and the Board of Directors are collectively working together to develop a financial reporting model that both meets the needs of the users of the financial statements and reports all balances and activity on the accrual basis.

The school **met standard** for its financial reporting requirements, as 100% of its financial documents were reported to OEI in a timely manner.

For these reasons, GPA received a rating of **Does Not Meet Standard** for Core Question 2.3 for the 2017-18 school year.